

Message Text

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TO SECSTATE WASHDC 3514

INFO AMEMBASSY BONN

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION USUN NEW YORK

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 10670

LIMDIS

TAGS

SUBJECT: WILL THE UK CHANGE ITS POSITION ON
COMMODITY POLICY

REF: A. SECTO 17077, B. BONN 11366

1. SUMMARY: BOTH PRESS REPORTS AND STATEMENTS OF
BRITISH OFFICIALS POINT TO THE POSSIBILITY OF A SHIFT
IN THE BRITISH GOVERNMENT ATTITUDES ON COMMODITY POLICY,
ESPECIALLY AS REGARDS THE COMMON FUND. PRESSURE GROUPS
IN THE LABOR PARTY ARE ARGUING THAT THE GOVERNMENT IS
FOLLOWING A "FREE MARKET" POLICY INTERNATIONALLY WHICH
IS AT VARIANCE WITH ITS DOMESTIC SOCIALISM. THEY
ATTRIBUTE THIS TO THE POWER OF CONSERVATIVE BUREAUCRATS.
PARTICULARLY IN THE DEPARTMENT OF TRADE AND THE
TREASURY. AT LEAST SOME OF THESE BUREAUCRATS BELIEVE
THAT IN THE LONG RUN THE GOVERNMENT MAY, IN RESPONSE
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TO THESE ARGUMENTS, SOFTEN ITS HITHERTO CONSERVATIVE

LINE ON COMMODITY POLICY. THE SAME RESULT COULD BE PRODUCED BY A DIFFERENT CAUSE: SHOULD THE COMMUNITY ADOPT A COMMON POSITION ON THE COMMON FUND AND OTHER COMMODITY ISSUES, THAT POSITION WILL INVOLVE ACCEPTANCE OF THE SUBSTANCE OF G-77 DEMANDS, AND THE END OF THE ALLIANCE BETWEEN BRITAIN AND GERMANY, AND THE U.S. BRITISH OFFICIALS HAVE HINTED THAT FOR THIS REASON A COMMON EC POSITION IS NOT IN THE UNITED STATES' INTEREST. THEY ALSO IMPLY THAT THE CHANCES OF A CHANGE IN THE UK'S POSITION FOR DOMESTIC POLITICAL REASONS COULD BE DIMINISHED IF THE U.S. AND GERMANY CONTINUE TO TAKE A STRONG STAND -- AND REPEATEDLY ASSURE THE UK OF THEIR INTENTIONS. END SUMMARY

2. ON JULY 5 WENDT OF THE DEPARTMENT AND HOLMES OF THIS EMBASSY DISCUSSED INTERNATIONAL COMMODITY ISSUES WITH PETER PRESTON, DEPUTY SECRETARY IN THE DEPARTMENT OF TRADE AND CHAIRMAN OF THE OECD'S HIGH LEVEL GROUP ON COMMODITIES. (PRESTON WAS ALSO THE LEADING FIGURE IN BRITISH PREPARATIONS FOR UNCTAD IV.) MUCH OF THE MEETING WAS DEVOTED TO THE QUESTION OF EC PARTICIPATION IN THE HLGC. PRESTON, AS HE HAD BEFORE, SAID HE WOULD DO HIS BEST TO PERSUADE HIS EC COUNTERPARTS THAT THEY SHOULD SPEAK FREELY IN THE GROUP, DESPITE A COMMON EC POSITION. HIS SUCCESS, HE THOUGHT, WOULD DEPEND ON WHETHER THE GERMANS WOULD TAKE THE SAME LINE.

3. A FRESHER, THOUGH HARDLY MORE WELCOME THEME, WAS THAT OF A CHANGE IN THE UK'S POSITION ON COMMODITIES, AND SPECIFICALLY ON THE COMMON FUND. A SHIFT COULD COME AS A RESULT OF EITHER EXTERNAL OR INTERNAL PRESSURES.

4. THE EXTERNAL PRESSURES WOULD BE EXERTED BY THE FAMILIAR EC EFFORT TO ALIGN ON A SINGLE POSITION. WITH SEVEN MEMBER STATES (AND THE COMMISSION) READY TO SWALLOW THE COMMON FUND, THE ONLY POSSIBILITY FOR AGREEMENT IS FOR THE UK AND GERMANY TO SHIFT THEIR POSITIONS, WHICH UP TO NOW HAVE BEEN SIMILAR TO THAT OF THE U.S. PRESTON SAID HE DOUBTED THAT A COMMON EC POSITION COULD

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BE REACHED UNTIL AUTUMN. HOWEVER, WHILE HE COULD NOT PREDICT WHETHER A COMMON EC POSITION WOULD BE ACHIEVED, HE FELT THAT EVEN THE GERMANS WERE "NOT NECESSARILY SOLID." (PRESTON MAY HAVE BEEN HEARING THE VIEWS REPORTED IN PARA 3 OF REF B.)

5. INTERNALLY, PRESTON WARNED US, ALL OF THE PRESSURES ON THE GOVERNMENT ARE FOR A SOFTER LINE. THESE

PRESSURES EMANATE FROM THE CHURCHES, CHARITABLE ORGANIZATIONS, AND IN PARTICULAR FROM A GROUP KNOWN AS THE WORLD DEVELOPMENT MOVEMENT. PRESTON DREW OUR ATTENTION TO AN ARTICLE, IN THE GUARDIAN OF JULY 2, ENTITLED "HOW WHITEHALL NEARLY UNMADE BRITISH POLICY." THIS

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ARTICLE (WHICH IS BEING POUCHED) DEPICTS BRITAIN'S POLICY AT NAIROBI AS HAVING BEEN ESTABLISHED IN THE MAIN BY CIVIL SERVANTS, PARTICULARLY IN THE DEPARTMENT OF TRADE AND IN THE TREASURY. A LAST MINUTE SOFTENING IN THE BRITISH LINE IS ATTRIBUTED TO A CALL ON CALLAGHAN BY JUDITH HART, EX-MINISTER OF OVERSEAS DEVELOPMENT, AND TO CABLES SENT FROM NAIROBI BY FRANK JUDD, THE JUNIOR DEVELOPMENT MINISTER WHO ATTENDED THE LAST WEEK OF UNCTAD IV. (AN UNDER SECRETARY IN THE TREASURY, JEFFREY LITTLER, IN DISCUSSING THE SAME ARTICLE WITH THE E/C MINISTER, DOWNPLAYED MRS. HART'S INFLUENCE.)

6. PRESTON READS THE SITUATION AS ONE IN WHICH PRESSURE GROUPS WHICH ARE UNCONCERNED WITH THE ECONOMICS OF G-77 PROPOSALS ARE FAIRLY EFFECTIVELY PRESSURING LABOR MINISTERS WHO FEEL EMBARRASSED WHEN ACCUSED BY MRS. HART OF "ALLYING OURSELVES WITH AN OPEN DEFENSE OF THE FREE MARKET ECONOMY FROM GERMANY AND THE US; ... ALIENATING CONFIDENTIAL

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THE COMMONWEALTH DEVELOPING COUNTRIES; AND GIVING OURSELVES A BAD REPUTATION IN THE THIRD WORLD AS A WHOLE." PRESTON FEELS THAT CALLAGHAN IS FAR MORE SENSITIVE TO ACCUSATIONS OF "RATTING ON" WILSON'S JAMAICA INITIATIVES THAN WILSON HIMSELF WOULD BE. HE DOES NOT, THEREFORE, RULE OUT A BASIC SHIFT IN THE UK POSITION.

7. COMMENT: ON THE BASIS OF OUR LATEST CONVERSATION WITH PRESTON, AND EARLIER CONVERSATIONS WITH OTHER BRITISH OFFICIALS (WHO HAVE SPOKEN MORE GUARDEDLY) IT APPEARS TO US THAT WE ARE BEING GIVEN HINTS TO DO THE FOLLOWING:

A. DO NOT CONTRIBUTE IN ANY WAY TO THE THRUST FOR A COMMON EC POSITION. SO FAR AS IT IS IN OUR POWER, ENCOURAGE GERMANY AND THE UK TO STAND FIRM AND RESIST HARMONIZING THEIR VIEWS WITH THE OTHER SEVEN EC STATES.

B. ENCOURAGE GERMANY TO STAND FIRM AND TO EXERT WHAT INFLUENCE IT HAS ON THE UK TO DO SO ALSO.

C. MAKE IT CLEAR TO THE UK (AND TO LESS SHAKY GERMANY) THAT THE US INTENDS TO PERSEVERE IN ITS TOUGH LINE; AND REINFORCE THIS MESSAGE AS FREQUENTLY AS POSSIBLE IN HIGH LEVEL US-UK CONTACTS.

8. THESE ACTIONS ARE IMPORTANT IN ORDER TO PRESERVE AT LEAST A HANDFUL OF MAJOR ALLIES WITH THE US ON COMMODITY ISSUES. SHOULD ONE OF THESE ALLIES--AND THE UK MAY BE THE LEAST RELIABLE--DROP AWAY, THE OTHERS MIGHT WELL FOLLOW. THE US WOULD THEN BE FACED WITH THE HIGHLY UNPALATABLE CHOICE OF STANDING ALONE AGAINST THE WORLD, OR GIVING IN.
END COMMENT.

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